

Message Text

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71

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 IO-14

OIC-04 SWF-02 AGR-20 COME-00 H-03 L-03 CIAE-00 INR-10

NSAE-00 DRC-01 /149 W

----- 112242

P R 182238Z APR 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC PRIORITY 0776

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2623

E.O. 11652: GDS

TAGS: ETRD, EC

SUBJ: BANANA EXPORT TAX

REF: A. STATE 57517; B. STATE 78502; C. QUITO 2366

D. GUAYAQUIL 270; E. QUITO 1922; F. QUITO 2580

1. WE HAVE NOT SEEN A NEED TO MAKE DEMARCHE TO GOE ALONG
LINES REFTEL A SINCE ECUADOR IS NOT JOINING IN COLLUSIVE
ACTION TO RAISE PRICES UNILATERALLY THROUGH A HEAVY EXPORT
TAX. WITH RARE UNANIMITY GOVERNMENT, BUSINESS, AND LABOR
OFFICIALS INVOLVED AGREE THAT THE IRON LAW OF SUPPLY AND
DEMAND RULES OUT SUCH AN ATTEMPT BY ECUADOR, WHOSE FIRST
PREOCCUPATION IS TO IMPROVE ITS MARKET SHARE (REFTEL C).
ECUADOR HAS NO GREAT NEED TO INCREASE EXPORT EARNINGS FROM
BANANAS AT THE MOMENT, WHEREAS THE EMPLOYMENT PROVIDED BY
THE BANANA INDUSTRY, A FUNCTION OF EXPORT VOLUME, IS VITAL
TO SEVERAL PROVINCES (REFTEL D).

2. GOE'S CONCEPT OF UPEB, AS SPELLED OUT IN REFTEL E,
CENTERS ON MORE PRACTICAL LONG-RANGE IMPROVEMENTS IN POSITION
OF BANANA EXPORTING COUNTRIES THAN THE CENTRAL AMERICAN'S HAVE
IN MIND NOW. MEASURES CURRENTLY UNDER CONSIDERATION IN GOE
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TO TAKE EFFECT IN MAY INCLUDE NO HEAVY EXPORT TAX; ON CONTRARY,

EXISTING SMALL EXPORT TAX WOULD BE ABOLISHED UNDER ONE MEASURE
(REFTEL G).

3. IN SUM, ECUADOR IS PLAYING A USEFUL ROLE WITHOUT BENEFIT OF
OFFICIAL GUIDANCE FROM U.S. WE HAVE, HOWEVER, TAKEN ADVANTAGE
OF OPPORTUNITIES TO TELL OFFICIALS THAT WE AGREE WITH THEIR
ANALYSIS OF THE HARSH REALITIES OF THE BANANA MARKET.

4. THEREFORE, WE REQUEST RELEASE FROM INSTRUCTION TO TAKE
UP MATTER WITH GOE AT THIS TIME.
BREWSTER

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NNN

Message Attributes

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EO Systematic Review
30 JUN 2005

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